RURAL INNOVATION STRATEGIES, INC.

SandyNet Masterplan: Findings & Recommendations

December 16, 2024

Rural Innovation Strategies Inc.

SandyNet is an outstanding ISP that should consider adjustments to ensure long-term stability

- SandyNet provides superb customer service, fast and reliable speeds, and some of the lowest costs to customers in the country

- Growing to 4,000+ subs is a milestone; SandyNet has achieved minimum viable scale but customer & revenue growth will increase resilience

- SandyNet's finances are stable but the enterprise does not have revenue critical to long-term operational sustainability

- Investments in network infrastructure and additional staff will mitigate current challenges and better insulate against risks

The physical plant will suffer greater resiliency and depreciation issues if steps are not taken to prepare

- Previous asset replacement funding was allocated to other operational priorities (e.g., construction)

- The plan recommends establishing a depreciation reserve fund based on a seven-year depreciation cycle for electronics and 30 years for fiber

- Resiliency/redundancy best practices suggest SandyNet would benefit from another telecom central office

SandyNet should more formally account for network depreciation costs — and budget for a telecom data center upgrade

Recommendations:

❏ Grow revenue to accommodate adequate depreciation funds for fiber and electronics, targeting ~$550K annually

❏ Plan to build a second telecom data center to mitigate risks of single-point failure, possibly in conjunction with other city builds/office space expansion

Staffing levels below industry norms create unnecessary risks

- SandyNet operates with 11 employees; typical ISPs with 3,000-7,000 customers have 15+ employees

- Inadequate staffing levels has resulted in burnout, and increased risks due to lack of resilience in particular roles

- Replacing key personnel would be particularly hard due to SandyNet context

SandyNet should add staff to improve operations and reduce risk

Recommendations:

❏ Hire after-hours customer service function

❏ Separate SandyNet general manager role from city IT role

❏ Add two additional customer service staff, one additional network engineer, and an assistant general manager

❏ Contract for external support to develop and implement a marketing campaign

❏ Establish stronger talent pipelines to support future staff recruitment

SandyNet charges some of the lowest rates in the nation, enabled by the staffing and depreciation decisions to-date

- SandyNet rates are significantly below Oregon peers and national averages

- Rate adjustments will be required to adequately prepare for asset depreciation and rectify staff shortages

- RISI created a pricing analysis tool to allow SandyNet to explore the impacts of various price adjustment scenarios

- Rate adjustment models suggest several options to responsibly increase revenue

Rate adjustments are needed to ensure SandyNet's long-term financial health

Recommendations:

❏ Create separate pricing tiers for non-SLA business customers

❏ Target a minimum $12 increase in Average Revenue Per User (ARPU) to account for medium and long-term operational needs

❏ Evaluate a low-income subsidy program to mitigate rate increase impacts on low-income households

Bringing more structure to SandyNet operations, decision-making, and governance should start with greater advisory board involvement
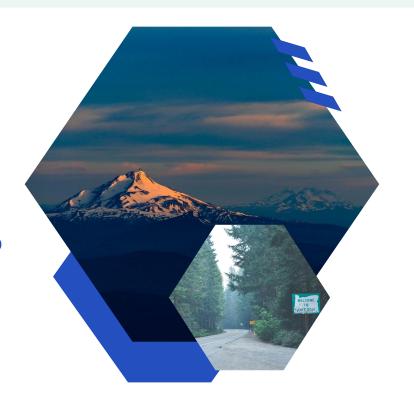
- Advisory board currently serves as consultative body

- SandyNet could benefit from increasing the structure of the relationship, adopting more of the practices of a corporate board of directors

Strengthening SandyNet's governance will benefit operations, strategic decision-making, and alignment with municipal leadership and functions

Recommendations:

❏ Review financial, legal, engineering, and operational expertise of advisory board, and bolster areas of need

❏ Deliver structured, detailed financial and operational reports at defined intervals to the advisory board in a pre-arranged format to allow for strategic discussions and decision-making

Network expansion will strengthen SandyNet and bring additional resources into the community

- SandyNet is close to achieving 100% coverage within city limits, with only a few apartment buildings remaining to be connected

- Strategic expansion outside of the city can bring additional revenue to the enterprise and financial resources to the community

- Master plan offers considerations for growth through existing CBX partnership and with SandyNet as builder, owner, and operator

- Measured, responsible growth will only benefit the city of Sandy, and SandyNet operations

Thank you

Email:
Alex.Kelley@ruralinnovation.us

Website: https://ruralinnovation.us

Address:
2 Quechee Rd
Hartland, VT 050481

Phone:
802-436-4100

Social:
LinkedIn | Twitter | Facebook | Instagram | YouTube